

JFMIP NEWS

A Newsletter for Government Financial Managers

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New Controller for the Federal Government

The Honorable Joshua Gotbaum was confirmed as the Controller, Office of Federal Financial Management at the Office of Management and Budget (OMB) on November 10, 1999. As the Controller, he is responsible for overseeing the financial management activities in the Executive branch of the Federal government. Holding two hats, Mr. Gotbaum retains his position as the Executive Associate Director, where he serves as a member of the OMB's senior management team, working with the Director, Deputy Director, and Deputy Director for Management. At OMB, Mr. Gotbaum has assumed responsibility for a range of cross-cutting issues, including many regulatory matters, privatization and Federal policies to counter the threat of terrorism. He joined OMB in 1997. Mr. Gotbaum is a member of the JFMIP Steering Committee.

*Joshua Gotbaum, OMB*

Mr. Gotbaum has broad experience both in business and government. Immediately prior to joining OMB, he served as the Assistant Secretary of the Treasury for Economic Policy. He advised Secretary of the Treasury Robert Rubin on economic effects of tax and budget proposals and a range of issues, including social security, economic development, financial institutions, and government regulations.

Before that, Mr. Gotbaum was the Assistant Secretary for Economic Security at the Department of Defense. In that position, he was both a liaison to business and Defense's primary adviser on matters pertaining to the defense industry, including industry consolidation, export controls, acquisition matters and privatization. He also directed the Department's efforts concerning infrastructure, coordinated the 1995's base closures, and was responsible for streamlining economic development and reuse at closing bases.

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Small Agency Scores Big Success with Systems Implementation

Last year, the Corporation for National Service, a small agency in terms of budget authority and employee count, adopted an aggressive schedule to replace its antiquated and outdated core financial management system. By necessity, the Corporation was forced to implement its replacement system midway through the fiscal year – a formidable challenge for anyone because of the need to convert current year data from an old format to a new one. However, the alternative was even more frightful. The Corporation was under scrutiny by Congress to get its financial system in order immediately and the old accounting system was not Year 2000 compliant. The pressure was on!

Earlier this winter, JFMIP visited with Wendy Zenker, Chief Operating Officer for the Corporation, and Betty Hepak, Director of Accounting and Financial Management Services, to discover the secret of this success story. The technology solution selected by the Corporation was the utilization of the application hosting services provided by the Department of Interior (DOI) through its National Business Center (NBC). The software package implemented was Momentum Financials 3.2, a client-server product from American Management Systems (AMS). The initial price tag for the implementation effort was \$1.8 million. Informal inquiries by JFMIP indicate that no other Federal agency has implemented the breadth of the functionality available through Momentum software to the extent that the Corporation has.

At present, there are about 150 system users at the Corporation that are located in offices at the Headquarters or one of five regional service centers spread across the country. All transactions processed in the regional centers are routed through Headquarters directly to NBC's computer facility in Reston. Edit checks and updates are performed in real time. Generally the implementation was on target with the planned schedule and cost. Future plans for the Corporation include an extension of the new system to all desktops and the acquisition of

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A Joint Perspective

On March 14, 2000, JFMIP will be holding its 29th Annual Financial Management Conference, entitled "Federal Financial Management for the 21st Century—JFMIP Celebrating 50 Years." This year's conference will present leading experts on topics including the future of accountability reporting and accounting standards, hot topics in technology, agency performance reports and measures, investing in human capital, implementing the FAIR Act, and a new look at financial systems. Keynote addresses will be given by David M. Walker, Comptroller General of the United States; Sally Katzen, Counselor to the Director, Office of Management and Budget; and John Puckett, Chief Information Officer, toymart.com. The topic areas represent the major challenges facing federal financial managers in the immediate future. Two of the keynote speakers are the most senior federal government leadership in areas of accountability reporting, human capital development, and resource management. Our private sector keynote speaker is a leader in information technology—the medium that is transforming how government and private industry do business.



*Karen Cleary Alderman
Executive Director, JFMIP*

On the occasion of the 50th anniversary of JFMIP, I would like to reflect on the developments over the last three decades as reported in the annual JFMIP conferences. In the spirit of "what's past is prologue," what follows is a spot check every five years of the topics presented at JFMIP's conferences starting in 1970. These snapshots present management challenges that might be categorized under headers of: (1) continuous focus and continuous challenge, (2) continuous focus and enormous progress, (3) cyclical focus and cyclical effect, and (4) technology issues.

Continuous Focus—Continuous Challenges.

An example of "continuous and unresolved challenges" includes efforts to design management institutions, policies, and

systems that establish clear program goals, link budgetary and other resources to programs, measure performance, and establish accountability.

At the 1970 JFMIP Federal/State government conference, Dwight A. Ink, then Assistant Director, Office of Management and Budget (OMB), summarized the rationale for Executive Order 11541, which established the Domestic Council and the OMB. The Domestic Council was to create a partnership among the various levels of governments, with greater dependence on state and local governments; streamline and simplify the processes and organizational structure for managing Federal programs to improve efficiency and economy and speed up the delivery of resources and services. OMB's goals emphasized evaluation of program performance and results; orchestrated program coordination across agencies; emphasized improvement of Government information and management systems and Federal career executive recruiting, development, deployment, and evaluation.

Two decades later at the 1990 conference, Senator John Glenn presented the case for passage of the Chief Financial Officers (CFO) Act, which was the legislative solution to the same fundamental issues. This speech called for establishment of a chief financial officer for the Executive Branch and for each agency with defined qualifications, resources, organizational location and responsibilities; adoption of accounting principles and standards appropriate to the Federal government; and improving financial information through preparation and audit of financial statements.

In 1995, Congressman William F. Clinger, Jr., Chairman of the House Committee on Government Reform and Oversight, presented the Government Performance and Results Act (GPRA) as acting in concert with the CFO Act to shift federal management and accountability from input oriented to output and outcome oriented measures. The 2000 Conference will highlight progress made in implementing performance planning, management, and reporting under the GPRA.

Achieving tight integration of program goals, resources, performance, and accountability remains an elusive goal despite three decades of executive and legislative remedies. One explanation offered at the 1985 Conference by Donald W. Moran,

Executive Associate Director, OMB is that: "The problem is the total disconnection between budget formulation systems, either in the Executive Branch or in the Congress, and financial control and management systems." In other words the underlying power structures and incentives were not changed with the legislation. In 1995, John Koskinen, Deputy Director for Management, OMB, reiterated the need for budget accounts to match up with financial accounts because program managers are used to working with budget information and may be unfamiliar with financial information as it is now prepared. The tools and disciplines established as the result of the CFO Act, the GPRA, and the Government Management and Reform Act create and present information that may change the existing institutions over time. However, the impact will remain muted until budgetary systems and financial management systems are more integrated and program managers, budget analysts, and financial managers use common language and principles. Stay tuned. This issue will undoubtedly be debated in future administrations and Congresses, and at JFMIP Conferences.

Spot checks of other continuous focus-continuous challenge issues include the clash of centralized management verses decentralized management of federal programs, the corollary conundrum of Federal verses state and local authority, responsibility and accountability; the need for improved financial systems, and the difficulty in achieving the right quality work force.

Continuous Focus—Great Progress.

An example of an issue where "great progress has been made" is the establishment of accounting standards that are recognized by the Executive Branch, the Legislative Branch, and the American Institute of Certified Public Accountants (AICPA)—a remarkable achievement in 20 years. Remarks by Joan S. Wallace, Assistant Secretary for Administration, Department of Agriculture at the 1980 Conference referenced the Administration's Financial Priorities Program as including use of approved accounting systems and standards. The 1985 Conference address by Charles A. Bowsher, Comptroller General of the United States, referenced the establishment of the Government Accounting

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CFOC Update

The Chief Financial Officers Council (CFO Council) has a new interim Executive Vice Chair. Joshua Gotbaum, who chairs the CFO Council, announced that John Callahan, Assistant Secretary for Management and Budget, Department of Health and Human Services (HHS) will be the interim Executive Vice Chair.

Since August 1995, Dr. Callahan serves as the senior budget official, CFO, and chief information officer for HHS. He has served as acting commissioner of the Social Security Administration from March to September 1997. Dr. Callahan had worked in several U.S. Senate staff positions between 1979 and 1995, including chief of staff for Senator Jim Sasser; deputy staff director for the U.S. Senate Budget Committee and staff director for the U.S. Senate Governmental Affairs subcommittee on Intergovernmental Relations. Dr. Callahan also was the director of the Federal-State Relations, National Conference of State Legislatures from 1977 to 1979. Before that he was the executive director of Legislator's Education Action Project, of the National Conference of State Legislatures; and was a senior analyst to the U.S. Advisory Commission on Intergovernmental Relations. Dr. Callahan was an assistant professor of education and planning at the University of Virginia. He received his BA in political science from Fordham University; a master's degree in regional planning and a Ph.D. in social science from the Maxwell School of Public Administration at Syracuse University.

Dr. Callahan replaced Sallyanne Harper who currently is the Chief Mission Support Officer at the General Accounting Office. Ms. Harper was the CFO at the Environmental Protection Agency.

The CFO Council also bid farewell to Nancy Killefer, CFO, Department of the Treasury; and Elizabeth Smedley, Controller, Department of Energy.

Kenneth Bresnahan was sworn in as the CFO, Department of Labor on November 15, 1999. Prior to that, he has been serving as Acting CFO since 1996. Before that, he was Deputy CFO at the Department of Labor. He served in senior management positions at the Food and Nutrition Service at the U.S. Department of Agriculture. He received a B.A. degree from Rutgers University. □

Governmentwide Benefits System Requirements Project Initiated

The Joint Financial Management Improvement Program (JFMIP) is launching a project to develop governmentwide requirements for benefit systems. A "kick-off" meeting will be held on February 16 at JFMIP to begin developing a Benefits System Requirements document. This document will become part of JFMIP's Federal Financial Management System Requirements series. Representatives from agencies who administer Federal benefit programs will be attending. The agencies include the Department of Veterans Affairs (VA), Social Security Administration, Office of Personnel Management, Department of Labor, and Railroad Retirement Board.

Developing and issuing requirements documents for all of the components that comprise the Federal agency systems architecture has been a major goal of the U.S. Chief Financial Officers (CFO) Council and the Office of Management and Budget, as

stated in the Federal Financial Management Status Report and Five Year Plan. Significant progress has been made in updating the requirement documents for many components of the architecture such as Core Financial Management, Direct Loans, Travel, Human Resources/Payroll and others. In the upcoming year, JFMIP will be working on developing new system requirements documents. In continuing our efforts to accomplish this goal, JFMIP is organizing a work group to develop a benefits system requirements document.

Dennis Kordyak, Office of Management, Office of Financial Policy at the VA, is leading this work group effort in developing the JFMIP Benefit System Requirements document. Steven Fisher, JFMIP, is the action officer for the project. For further information, please contact Mr. Fisher on (202) 219-0530 or via email at steven.fisher@gsa.gov. □

JFMIP is sponsoring an

OPEN HOUSE FORUM on Property Management System Requirements

March 29, 2000

Agenda

9:00-9:10 a.m.

Introductions

9:10-9:40 a.m.

Property Document Presentation

9:40-10:00 a.m.

Document Development Process

10:00-11:00 a.m.

Q's & A's

Objective: Share information and answer questions on the upcoming document.

Software vendors/developers, potential purchasers and current users of property management systems are encouraged to attend. Register by March 22, 2000 by calling JFMIP at (202) 219-0526.

Location: GAO Auditorium, 441 G St., NW, Washington, DC.

Copies of the draft will be distributed at the forum.

First Certificates of Excellence in Accountability Reporting Awarded to NASA & SSA

The National Aeronautics and Space Administration (NASA) and the Social Security Administration (SSA) were honored with the first-ever Certificates of Excellence in Accountability Reporting (CEAR). At a ceremony on November 3, 1999, at the Library of Congress, the teams responsible for generating the reports in both agencies were recognized for their extraordinary efforts. "This is a momentous day for the government and for NASA," said Daniel Goldin, NASA Administrator, at the awards ceremony.

"This [accountability report] is fundamental for good management. There is no reason that government shouldn't be accountable to the American people and what we do for them. In the elections of '92, '96 and '98, Americans were very clear that they wanted the government to be more accountable and wanting to do more with less, which was a loud signal to us."

"This was a full agency team effort that we are very proud of," said Yvette S. Jackson, SSA's Deputy Commissioner for Finance, Assessment and Management, and the agency's Chief Financial Officer. "Our team understands that we strive for excellence. It's the greatest accomplishment to find out that people are reading these accountability reports and are finding the information to be useful. We're going to continue to strive to create a tradition of excellence in accountability reporting."

In the 1997 Federal Financial Management Status Report and Five-Year Plan, the U.S. Office of Management and Budget and the Chief Financial Officers (CFO) Council outlined a certificate program to encourage and recognize excellence in Accountability Reports. The Association of Government Accountants (AGA), in conjunction with the CFO Council, responded by establishing the CEAR Program. The Certificate of Excellence is evidence of a fair presentation of the programmatic and financial affairs of an agency. Also, it represents a significant accomplishment for a federal agency and its management. The voluntary program encourages federal agencies to publish high-quality Accountability Reports. It

provides assistance to federal agencies as they prepare and review their reports and recognizes federal agencies that produce exceptional Accountability Reports.

The Certificate of Excellence in Accountability Reporting Program is open to all federal departments and agencies or their components that prepare Accountability Reports. For example, the Internal Revenue Service within the U.S. Department of the Treasury prepares an accountability report. At the awards ceremony, John Hummel, CGFM, a partner with KPMG LLP, and chair of AGA's CEAR Board, noted that these two agencies have made history. "You only get one chance to win the very first awards and NASA and SSA have seized that chance," he said.

The production of an outstanding Accountability Report requires a cooperative effort among many agency departments and staff. AGA acknowledges the contributions of those who participated in the development of the two award-winning reports. In particular, the team of key individuals responsible for leading the efforts were recognized:

NASA Team

Arnold G. Holz, Kenneth Winter, Nancy E. Harris, David P. Moede, Stephen J. Varholy, Michael Crnkovic, Harry H. Ellis Jr., David J. Gribble, Sara Najjar-Wilson, Charles B. Pittinger Jr., Philip T. Smith and Nikita Zurkin.

SSA Team

Yvette S. Jackson, Dale W. Sopper, Thomas Staples, Frank Biro, Steve Nash, Joanne Rosenkilde, Steve Schaeffer, Mark Silvestri, Cass Glen, Kristen Kolb, Gwen Thompson and Judy Twitty.

Next Year's Review

Fiscal year 1999 Accountability Reports are due to AGA on April 30 to be considered for next year's award. Any questions about the process can be directed to Lisa Thatcher, at lthatcher@agacgfm.org, telephone (703) 684-6931, ext. 212, or visit AGA's website at www.agacgfm.org/cear. □

Update on JFMIP's System Requirements and GAO's Checklists

The Joint Financial Management Improvement Program (JFMIP) is recognized by the federal financial community as having the authority to promulgate system standards and requirements. As part of its responsibilities under the Federal Financial Management Improvement Act (FFMIA) of 1996, the JFMIP has been updating existing systems requirements documents, as well as issuing requirements documents covering systems where none previously existed.

By way of background, the FFMIA requires, among other things, that agencies implement and maintain financial management systems that substantially comply with federal financial management systems requirements. These system requirements are detailed in the Federal Financial Management Systems Requirements (FFMSR) series issued by JFMIP and Office of Management and Budget (OMB) Circular A-127, Financial Management Systems.

JFMIP requirements documents identify (1) a framework for financial management systems, (2) core financial systems requirements, and (3) 16 other financial and mixed systems supporting agency operations, not all of which are applicable to all agencies. To date, JFMIP has issued the framework and systems requirements for the core financial system and 7 of the 16 systems identified in the architecture. Thus far, the series includes:

- Framework for Federal Financial Management Systems,
- Core Financial System Requirements,
- Inventory System Requirements,
- Seized Property and Forfeited Asset System Requirements,
- Direct Loan System Requirements,
- Guaranteed Loan System Requirements,
- Travel System Requirements,

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FINANCIAL MANAGEMENT PROFILE

Helen Thomas McCoy became the Assistant Secretary of the Army for Financial Management and Comptroller (ASA(FM&C)) on March 23, 1994, following her nomination by President Clinton and confirmation by the United States Senate. As ASA(FM&C) Ms. McCoy is the principal advisor to the Secretary of the Army for all comptroller functions and all financial management activities and operations. She executes the Department of the Army's Planning, Programming, Budgeting and Execution System (PPBES), approves establishment, supervision and maintenance of the Department's financial management systems, plans how the Department will improve financial management, and supervises oversight of Army-wide cost and economic analysis functions and activities.

Prior to her appointment as the Assistant Secretary of the Army (Financial Management & Comptroller), Ms. McCoy had been a career civil servant. She began her career as a mathematician for the Naval Space Surveillance System in Dahlgren, Virginia, but has spent most of her career with Defense agencies. She was the Acting Comptroller of the Defense Logistics Agency from September 1993 to March 1994, and was the Deputy Comptroller of the Defense Logistics Agency from April 1990 to September 1993. The culmination of her experiences as a career civil servant prepared her to be the ASA(FM&C).

Ms. McCoy is a native of Albany, Georgia. She graduated from Bennett College in Greensboro, North Carolina with a Bachelor of Science degree in mathematics, from George Washington University with a Master's Degree in Public Administration, and from the Industrial College of the Armed Forces at Fort McNair, Washington, DC. She has also attended Virginia Tech and the University of Virginia. Ms. McCoy is a member of the American Society of Military Comptrollers and the American Association of Budget and Program Analysis.

Ms. McCoy describes her role as the ASA(FM&C) as advancing Army stewardship by helping to promote open communication and understanding among the organizational components of the Department of Army. She works to ensure that the Department's organizational components are aware of the activities of other organizational components within the Department and how these activities interrelate. The Secretariat is in the unique position of "seeing" across all functional areas within the Department, and can facilitate negotiation, collaboration, and team building among functional proponents to achieve common goals and objectives.

Organization type and management style factor directly into the effectiveness of achieving common goals and objectives. Ms. McCoy acknowledges that there is a place for both centralized and decentralized management organizations, depending on what must be

accomplished. But to effect change within an organization, it is best to centralize for a short time to get moving. Ms. McCoy describes her management style as open and flexible. She encourages her staff to engage in open dialog and to question ideas; she solicits feedback and suggestions. She holds brown bag lunches with her staff and encourages them to learn more about what their colleagues do, and to continually seek new, better ways to work smarter.

Improving the skills and knowledge base of the financial management professional within Department of Army has been one of Ms. McCoy's major goals as the ASA(FM&C). In 1998 Ms. McCoy instituted a financial management redesign effort which included a new career structure for civilian financial managers that would be multi-disciplined and broad based. This financial management redesign effort encompasses accreditation for professional development, certification of financial management professionals, and cross training between disciplines. Through this effort, financial management professionals will gain a working knowledge of all aspects of the financial management business. Expertise in all aspects of the business is not required, however financial management professionals should be able to recognize the kind of expertise needed to solve problems, and use the tools and capabilities available to them as part of their trade. Within the Secretariat, Ms. McCoy wants financial management professionals to work in at least two other areas of the organization within a five-year span in their careers.

Ms. McCoy emphasizes that growing financial management professionals skilled in multiple disciplines is imperative to maintaining a trained workforce for the future. Encouraging professional development and training is an important part of every Secretariat division/directorate chief's performance appraisal. Ms. McCoy's bottom line is that if her division/directorate chiefs are not training their employees, or ensuring that their employees are receiving training, then they are not doing their jobs.

Another major challenge for Ms McCoy has been modernizing the Army's financial systems. The Army's many financial management systems are old and modernizing or upgrading these systems continues to be a massive undertaking. Part of the problem is that these systems are not standardized vis-à-vis core requirements and data element definitions. Processes and data element definitions are so ingrained in the culture of an organization that they become major issues if someone proposes that they be changed.

Ms. McCoy has been working hard to move the Army toward managerial cost accounting. Without the financial systems in place to support managerial cost accounting, this has been a Herculean effort.



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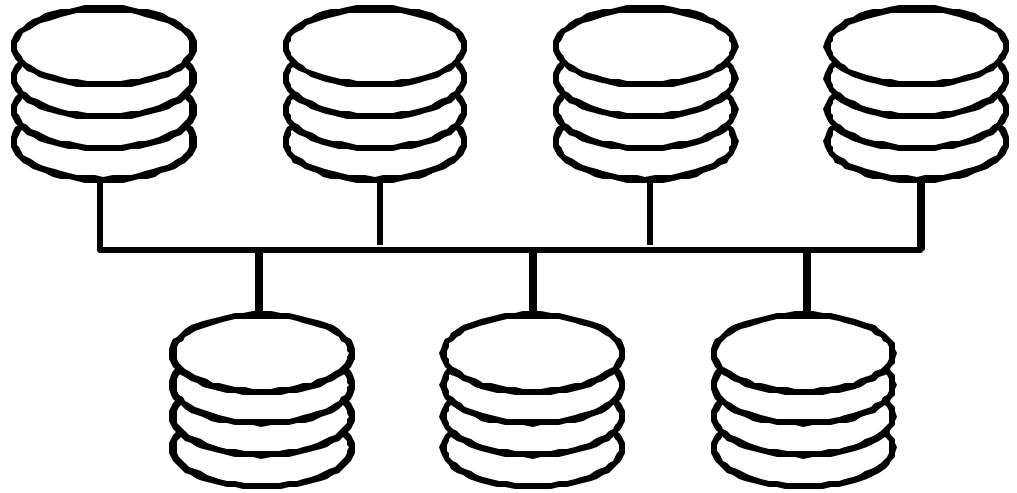
Small Agency, continued from front page.

Procurement Desktop to process procurement actions. Key points uncovered during the interview follow.

Business Decision: Prior to the implementation of Momentum Financials 3.2, the Corporation used Federal Success, a financial management software package developed by Keane Systems, a mainframe-based platform. DOT provided the hardware and software for the Corporation. Because Federal Success was not Y2K compliant, the Corporation had to replace its financial management system software. The Corporation initially looked for a business partner that was also in the business of making grants. When this effort did not work out, the Corporation turned to NBC. One of the most important factors in the selection decision was the strong belief held by the financial systems staff that running Momentum hosted at NBC would be a viable solution for processing accounting events by non-accounting staff located in the national office and in the field offices. Other factors included the look and feel of the user interface included in Momentum Financials 3.2, the reputation of the software developer, and a strong recommendation from a Federal agency that was also a customer of AMS' Momentum software.

Architecture: DOI provided the license for the software application and the use of the application server. The Corporation currently uses Momentum 3.2 to perform core accounting and financial functions for administrative and grant processing. NBC provides back up and disaster recovery services as well as technical support. A two-day stress test was performed by the Corporation in the summer and revealed the need for some minor hardware upgrades to the desktop clients. The Corporation purchased its own server, which is located at DOI, as well as a report writer application and obtained the communication link from Headquarters to NBC. The Corporation's Information Technology staff, headed by Tom Hanley, were able to quickly identify and resolve problems.

Schedule: On November 24, 1998, the Corporation began its transition from Federal Success to Momemtum 3.2 with an initial target implementation date of June 30, 1999, subsequently revised to July 30, 1999. The primary reason for this schedule was the need to generate good data for FY 1999 financial statements. The mid-year implementation required the restatement or conversion of FY



1999 financial data from the old system to the new system. Preparations for the data conversion started in Spring 1999, and the old system was turned off in July 1999. The Corporation tried unsuccessfully to convert FY 1999 data at the detail level, and eventually it converted open 1999 documents (those that would have future activity). Other 1999 data was converted at the summary level. Also, to ensure the numbers were converted correctly, the ending trial balance in the old system was compared to the beginning trial balance in the new system. Financial transaction data from July through September were captured via direct entry. The detail supporting the summary trial balance for fiscal year 1999 would reside in two systems for the fiscal year. With the eventual demise of the existing system, Peter Rudman, the Project Manager, developed a "legacy" database into which the detailed accounting transactions from the old system were downloaded. This has allowed Corporation staff to access the detailed transactions on-line for research purposes and also provides the detail data for auditors performing the FY 1999 financial statement audit. Overall, the project took ten months, with the system accepting its first live transaction on September 13, 1999.

Testing. No parallel testing was done. Although this decision did involve some risk, the Corporation decided that the risk was acceptable given the alternative that the system might not be implemented in time. Acceptance testing, which was completed in June, was of a limited scope due to resource constraints. NBC provided a good deal of

help with the development of test scripts and with acceptance testing.

Training. A good training effort was executed. However, the new system was more sophisticated than its predecessor, and the prospective users tended to forget their newly acquired skills that were not reinforced with immediate use. The availability of a Help Desk was and continues to be a big plus. Most of the end users are located in program offices as well as five regional centers, and this dispersion made it difficult for financial offices to facilitate the knowledge transfer required to execute financial management activities. When the system was brought up, field office users were brought to Washington, DC to do real-time data entry on an "immersion basis." The accounting office led the training team with strong support from the budget office on execution and funds control features – features that were not included in the old system. The partnership for the training effort also included employees and other support from the Office of Information Technology.

Procurement. A procurement vehicle available through GSA was the focal point of the procurement strategy. The non-competitive method was an asset because the procurement lead-time and agency procurement efforts were reduced. As mentioned earlier, the Corporation did purchase a dedicated server, a report writing application, and one dedicated telecommunication line. The leasing of the

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telephone line was the most difficult part of the procurement effort.

People and Staffing. Project staffing included existing employees and new hires. New hires provided the mix of skills needed for a successful implementation, and the current employees provided the essential knowledge of the Corporation's business functions. The accounting, information technology, and budget offices worked together as one team to implement the system, and the small size of the organization made the involvement and commitment of management visible to all. NBC was invaluable to the implementation effort through the commitment of on-site staff to assist the Corporation with each phase of the project.

The success of the implementation project is directly attributable to the direct involvement of and motivation from the top leadership, the pride and dedication of the project staff, and the ability of management to make quick judgments. Management focused on solving problems rather than fixing blame for things that didn't turn out as expected. An open communication policy fostered open and constructive debate during problem-solving sessions. Management listened to and trusted the recommendations of the project staff so decisions were made quickly.

One of the most difficult hurdles to overcome is the natural resistance to the change that is imposed by the implementation of new automation. The Corporation was lucky in this respect. There was little resistance to change because everyone in the organization understood the compelling reason for change – instructions from Congress for the agency to produce accurate and timely financial information and Year 2000 fixes. The new system represented a great improvement over the old system. The closely monitored entry of live data for current year transactions was used to train and familiarize the users with the system. End users were very involved in the system implementation, and the project staff met with the users to identify and determine specific user access needs.

Implementation Challenges: Support from NBC was described as excellent throughout the process, although previously unknown software deficiencies caused some major difficulties. The implementation was a learning experience for both NBC, in its first

Momentum implementation, as well as the Corporation. Vendor support for software fixes was excellent during the first six weeks, and the Corporation believes that the on-site presence of a senior representative from the vendor will ensure a speedy resolution to any software deficiencies that may be lurking.

Another significant challenge that was met involved the configuration of the system to handle grants. The Corporation remained resolute in its goal to avoid costly modifications to off-the-shelf software in order to accommodate agency business practices. Instead, the solution was to fit the existing business practice to the software, and the grant transactions are processed as contract documents. The Corporation will be building a new grants system to interface with the financial management system this year.

Other significant challenges included a mid-year data conversion and teaching non-accounting personnel to use a financial and accounting system. Performance problems surfaced shortly after implementation. To solve the performance problems, a number of steps are underway to increase response time, and a duplicate database will probably be created where users can execute on-line queries and conduct research for analyses. NBC and AMS helped considerably with performance problems during system implementation with database tuning, and they continue to work closely with the Corporation to resolve performance issues.

Another unanticipated problem involved the use of the Crystal Reports software package. The Corporation did not realize that the new system would not directly generate mandatory reports and that the purchase of a reporting package would be required.

In response to direct questions from JFMIP, Wendy Zenker offered the following observations:

A Things To Do Differently Next Time:

- Don't do a mid-year implementation if it is not absolutely necessary.
- Don't try to do a detailed data conversion; do a summary conversion.
- Do better acceptance testing to get a better feel for the system and the need for business process changes. Formal test tools and people skilled in testing would be very helpful.

B. Helpful Hints for Others:

- Senior leadership commitment is critical to success.
- Good skills are critical. Ensure that your project team has people experienced in system implementation efforts. Make sure that your team can "talk" in the language of financial staff, users, and programmers.
- Good business partners with good track records are vital to success. Cross servicing by an entity with a good performance record can be very beneficial for small agencies because expertise, which would otherwise be unavailable, can be obtained at a reasonable cost.

What valuable lessons can others glean from the Corporation's highly successful story? There are many and several are suggested here!

- Top management support is critical to success and needs to be visible to everyone.
- Good business partners with good track records are needed. Check past performance records for service providers and software vendors.
- Good people with good technical and communication skills are essential. Strive for a good skill mix that includes people with prior implementation experience.
- Effective acceptance testing is very important because it can surface unknown software deficiencies and prevent major problems down the road. A formal test script provides discipline. The JFMIP software qualification test script can provide a jump start and greatly reduce the cost of developing a formal test script.
- Understand what each system user will need to know to enter data into the system and to get data out of the system. Make sure the training and implementation plans address these learning needs.
- Establish a duplicate database for on-line queries to avoid poor performance and logjams during transaction processing. □

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Standards Board (GASB) in 1984, commenting that he hoped to use the output of the GASB in the Federal Government. Mr. Bowsher's comments also highlighted the issuance of Title 2, which at that time defined accounting and reporting standards that would be used for auditing.

In 1990, Senator Glenn's presentation on the need to pass a CFO Act identified the need to establish the "most appropriate means of ensuring the adoption of accounting principles and standards which recognize the unique circumstances of the federal government." In 1995, Gerald Murphy, Fiscal Assistant Secretary, Department of Treasury, discussed the establishment of the Federal Accounting Standards Advisory Board (FASAB), and the process by which the Board develops, exposes, and issues Federal accounting standards. By 1995 FASAB documents included standards and concept statements for Selected Assets and Liabilities, Loans and Loan Guarantees, Inventory and Related Property, and Objectives of Federal Financial Reporting. Jump ahead to the 2000 conference, which will undoubtedly recap that the AICPA designated the FASAB as the standards setting body for Federal government entities under Rule 203 of the AICPA Code of Professional Conduct. David Mosso, Chair of the FASAB, shepherded this achievement in 1999. The same Mr. Mosso, then Deputy Commissioner of Accounts at the Department of the Treasury, made a presentation at the 1970 JFMIP Conference. This is a historic benchmark of public service leadership and excellence through the decades.

Cyclical Issues-Cyclical Effect

Contracting out, privatization, "outsourcing" are terms used for an issue that takes center stage on a cyclical basis. The 1985 conference featured a panel on General Financial Management Initiatives that included a presentation by David Muzio, Deputy Associate Administrator for the Office of Federal Procurement Policy entitled, "Productivity through Competition—OMB Circular A-76". The 1986 Executive Order on "Productivity Improvement Program for the Federal Government" was signed the following year mandating productivity improvement goals for Federal processes. OMB Circular A-76 competitions were considered a key strategy for achieving those goals. The A-76 issue appears again on the 2000 JFMIP Conference

agenda reflecting the passage of the Federal Activities Inventory Report (FAIR) Act in 1998. The legislation requires Federal agencies to provide an inventory of all their federal positions, including financial management positions, categorized as government essential or as subject to A-76 competitions. This process has surfaced a multitude of issues and very different views about what functions should remain in house in order to provide oversight and accountability while remaining free from conflict of interest.

Examples of burning issues of the day which disappeared from the landscape include "The Congressional Budget and Impoundment Control Act of 1974," the impact of inflation on financial management; even fuel shortages—all major concerns presented at 1975 conference. Undoubtedly, the Y2K challenge fits this category. Looking back over three decades, many issues that dominated the collective energies of financial managers were caused by national and international economic cycles, macro budget and tax policies, or specific political conditions that were outside the control of the financial management community. Retaining lessons learned gives perspective and tools to distinguish financial management challenges caused by temporary cyclical economic conditions, political impasses, or specific technical challenges. Gifted leaders correctly diagnose the context of issues and apply the lessons learned in a new context or time, and know when and how they can make a difference.

Technology

Presentations over that last 30 years highlight the growing impact of and reliance on technology in our trade. They reflect rapid change in what is considered "current" technology. The proceedings intimate reluctance by the federal financial management community from customizing technology to serve federal practices to adapting federal financial practices to use commercial technology and systems. Finally, the remarks underscore the continuous struggles of the federal environment to successfully utilize technology that is constantly changing.

The speed of the technology revolution is punctuated by comparing the 1980 remarks of Joan S. Wallace, Assistant Secretary for Administration at the Department of Agriculture, who forecast that "advanced

financial management systems will utilize sophisticated data base management systems—minicomputers and microprocessors—and will expand the use of telecommunications. In addition we are evolving to an automated office environment". Compare that to the content of the 1995 panel on "Electronic Commerce for Procurement and Finance." In the 15 year since 1980, computers on the desktop were a given. The 1995 panel discussed mandated use of electronic fund transfer which relied on commercial banking industry infrastructure for federal payments and efforts to manage requisition, contract, small purchase and electronic commerce through end-to-end automated interfaces from entitlement to accounting. The 2000 conference will feature discussions of e-Business and enterprise system implementations in the federal environment, indicators of greater reliance on sophisticated commercial infrastructure and more tightly integrated management systems that cut across financial management and program management missions.

Some of yesterday's technology challenges remain so today. Noting that "too many accounting systems now exist and many of them use outdated technology, the 1985 Conference highlighted the first issuance of OMB Circular A-127 setting forth financial systems policy. The 1985 policy had five major objectives: use of contemporary technology to provide managers with timely, useful information; systems integrity through reasonable internal controls; adequate support for agency budgets; adequate support for program and administrative managers; and full financial disclosure and accountability. The policy direction has shifted in 15 years to focus more on integration of systems, commercial sources and cross servicing. The underlying challenges articulated in the 1985 policy remain. The definition of "current technology" has changed from mainframes, to microprocessors, to client servers, to web, and continues to evolve.

Another technology conundrum is how to manage change. The 1990 JFMIP Conference presentation by Ray Bell, technical consultant to American Oil Corporation, gave advice on how to implement a new system successfully. Other recipes for success have been shared in more

Continued on page 10.

- Human Resources & Payroll Systems Requirements, and
- System Requirements for Managerial Cost Accounting.

In early 1998, JFMIP decided to initiate projects to update system requirement documents that did not reflect current regulations and legislation. JFMIP also planned projects to develop systems requirements where none existed. JFMIP is finalizing documents for Guaranteed Loan System Requirements and Grants Financial System Requirements. An exposure draft on Property Management System Requirements will be published by Spring 2000. JFMIP documents are widely circulated within the federal government's financial systems community and other major stakeholders. The documents are posted on the Financenet at www.financenet.gov/fed/jfmip/jfmip.htm.

GAO, as one of the JFMIP principals, is committed to helping improve financial management as called for in the FFMIA. As part of this commitment, GAO has provided tools to the financial community in the form of checklists based on the JFMIP system requirement documents. These checklists are issued when JFMIP requirements are either published for the first time or when requirements are updated.

GAO's checklists are published to assist agencies in implementing and monitoring their systems, and to assist management and auditors in reviewing systems to determine if they are in substantial compliance with FFMIA. The checklists are not required to be used in assessing the agency's system but are provided as a tool for use by experienced staff. The judgment of a person experienced in the interpretation and application of this tool must be applied to enable users to consider the impact of the completed checklist on the entire system and whether the system, as a whole, substantially complies with requirements. When used, the checklist, the JFMIP source document, and two OMB documents (Circular A-127 and the September 9, 1997, implementation guidance) should be used concurrently.

To date, GAO has published four checklists in final:

1. Framework for Federal Financial Management System Checklist (GAO/AIMD-98-21.2.1) May 1998,
- Core Financial System Checklist (GAO/AIMD-98-21.2.2) May 1998,

Continued on page 13.

Amendments to OMB Form and Content of Agency Financial Statements

On January 7, 2000, the Office of Management and Budget (OMB) issued OMB Memorandum 00-05, which amends OMB Bulletin No. 97-01, Form and Content of Agency Financial Statements, dated October 16, 1996, and OMB Memorandum 99-03, dated November 20, 1998. The amendments were issued to address government-wide concerns and to incorporate changes in Federal accounting standards. The amendments include the following:

- Pursuant to Statement of Federal Financial Accounting Standard (SFFAS) No. 14, Amendments to Deferred Maintenance Reporting, deferred maintenance is to be presented as required supplementary information rather than as a note disclosure and line item on the Statement of Net Cost with a reference to the note disclosure.
- Intra-governmental amounts and related federal trading partners for assets, liabilities, earned revenue from trade (buy/sell) transactions, and non-exchange revenue are to be presented as required supplementary information. The gross cost to generate earned revenue from trade transactions are to be presented by budget functional classifications as required supplementary information.
- The instructions for the statement of net cost require a separate disclosure of intra-governmental gross cost and earned revenue by budget functional classification. This reporting requirement is in addition to the current requirement to disclose total entity gross cost and earned revenue by budget functional classification.
- The instructions for the balance sheet clarify form and content guidance previously issued by OMB and require Benefits Due and Payable to be separately reported from Other Liabilities.
- The balance sheet presentation may be simplified by: (i) combining "Entity" and "Non-Entity" assets on the face of the balance sheet, and reporting "Non-Entity" assets in a note disclosure rather than on the statement; and (ii) combining "Liabilities Covered by Budgetary Resources" and "Liabilities Not Covered by Budgetary Resources" on the face of the balance sheet, and reporting "Liabilities Not Covered by

Budgetary Resources" in a note disclosure rather than on the statement.

- In accordance with OMB Memorandum 99-03, the authority to prepare a combining Statement of Budgetary Resources and a combined Statement of Financing is extended through fiscal year 2000.

The amendment to simplify the balance sheet presentation by combining selected assets and liabilities on the face of the statement and reporting the relevant data in a note disclosure is optional for financial statements prepared for fiscal years 1999 and 2000. The authority to prepare a combining Statement of Budgetary Resources and a combined Statement of Financing is extended through fiscal year 2000. The other amendments are effective for financial statements prepared for fiscal years ending after September 30, 1998 (FY 1999 and beyond).

The technical amendments were issued after OMB sought public comment on a draft version of the proposed amendments in the fall of 1999. The comments were incorporated into the memorandum. For more information on the technical amendments, please contact Kim Geier, (202) 395-6905. □

New Staff Member

JFMIP continues to support the Women's Executive Leadership (WEL) Program by providing developmental work assignments for program participants. The WEL Program is a one year management development program for individuals at the GS-11 and GS-12 levels. The program is coordinated with the Graduate School, Department of Agriculture.

Beverly Sylvia-Brooks joined the JFMIP staff on January 18, 2000. During her one-month assignment at JFMIP, she will be analyzing the issues concerning benefit system requirements, developing articles for the JFMIP News, including a profile of a senior financial management official. She will organize an open forum with government and industry on the government-wide property management system requirements. Ms. Sylvia-Brooks is a Desk Officer with the Social Security Administration, Regional Office of Hearing and Appeals in Boston.

JFMIP will have several other WEL Program participants throughout this calendar year. □

Perspective, continued from page 8.

recent meetings. Then and now there is no easy recipe to achieve the promise of new technologies in organizations that are large, complex, risk adverse, and with many different stakeholders. Which brings us round to the original category of "continuous focus-continuous challenge." Solutions to certain financial management goals will take the convergence of political consensus among stakeholders as well as cost effective technology to support the objective.

A Salute to Institutions of Good Will

A final observation in looking back over the 30 years of history is that the Federal community demonstrates tremendous cooperation and progress when provided the institutional structure to act in concert. The JFMIP, with the Principals and Steering Committee, was among the first institutions to facilitate collaborative action across the Executive Branch agencies and the oversight community. As we turn this page into the new century and celebrate the golden anniversary of JFMIP, we would like to salute the many leaders who have built this legacy of service and pledge to maintain it in the future. □

Gotbaum, continued from front page.

Until 1994, Mr. Gotbaum was a general partner with the New York investment bank, Lazard Frères & Co. Over 13 years, he gave financial advice and assistance to corporations, trade unions and governments on corporate finance, mergers, acquisitions, divestitures, bankruptcies and restructurings.

During the Carter Administration, Mr. Gotbaum was Associate Director for Economics of the White House Domestic Policy Staff. He previously served as Executive Assistant to Alfred Kahn, President's Carter's advisor on inflation, as a member of the staff of the White House Office of Energy, Policy and Planning, and in the Department of Energy. He served as a legislative assistant to U.S. Senator Gary Hart for economics and budget matters.

Mr. Gotbaum holds graduate degrees from the Kennedy School of Government and Harvard Law School, and an A.B. from Stanford. □

Maiden Voyage for FACTS II Succeeds

It works!!! Government agencies using the new FACTS II system for the first time last Fall submitted more than 1,500 year-end reports on budget execution to the Office of Management and Budget (OMB) and the Department of the Treasury. This represents more than a quarter of the entire government.

FACTS II is a key part of an OMB-Treasury initiative to eliminate duplicate year-end reporting and improve the quality of budget data that agencies provide to OMB and Treasury's Financial Management Service (FMS). The system was developed jointly by FMS and OMB, and is being operated by FMS.

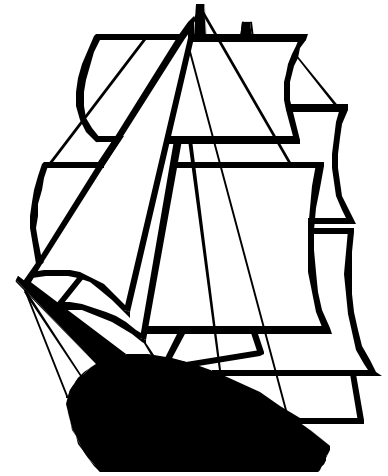
The FACTS II data that agencies submitted fulfills the reporting requirements of the FMS 2108 Year-End Closing Statement and the SF 133 Report on Budget Execution. In some cases, the FACTS II data was also used to produce some of the initial set of prior year data in the Program & Financing Schedule that is published in the President's Budget.

A majority of agencies submitted their FACTS II data using the on-line system; several agencies also produced bulk files that were successfully imported into FACTS II; problems that agency users encountered were minor; and, FACTS II will open for business again in February, 2000 to collect first quarter data.

FACTS II On-line

The overwhelming majority of FACTS II users entered their data using the FACTS II on-line system. The users needed to make a connection to the FMS network using a modem, and then accessed the FACTS II application by using their Internet browser. All of the software features described in previous issues of the JFMIP newsletter were present:

- a standard, Windows-GUI interface with drop down menus and list boxes
- extensive edits to verify the accuracy of the data
- a robust reporting facility allowing users to run and print FMS 2108s, SF 133s, and other reports
- an export capability allowing users to export their data and other information to Excel spreadsheets



FACTS II Bulk Submissions

The Department of Energy and the Agriculture Department's Rural Development Administration successfully submitted their FACTS II data using bulk files. Preparing to use the FACTS II bulk facility took extensive time but yielded great benefits. At Energy, for example, a group of three accountants and an information systems expert spent half their time during the course of a year making the preparations needed to submit bulk transmissions. It was well worth the effort, however, as this saved the Department from keying in 60 separate reports, and as the Department will continue to use bulk transfers in the future.

Problems with FACTS II

The maiden voyage of FACTS II did have a few problems. The reports that provided a status of bulk load submissions were difficult to use. To improve the situation, new reports that provide summary statistics were created and will be available in February. For example, these reports show how many fund symbols passed vs. failed. For those fund symbols that fail, the reports also show the specific edit or data validation check that did not work.

In using the on-line system, some users encountered problems with inaccurate titles on their reports. In addition, it took a while to properly load the data that is used to verify that the FACTS II outlays match the Monthly Treasury Statement outlays. Both of these have been fixed.

For additional information, see the FACTS II web page at: www.fms.treas.gov/usggl/factsii. □

JFMIP 29th Annual Financial Management Conference

March 14, 2000

Hilton Washington and Towers
1919 Connecticut Avenue NW
Washington, DC

*Theme: Federal Financial Management for the 21st Century
—Celebrating JFMIP's 50^h Year*

Keynote Addresses

David M. Walker, Comptroller General of the United States
Sally Katzen, Counselor to the Director, OMB
John Puckett, Chief Information Officer, toysmart.com

- Awards Presentation by JFMIP Principals
- Awards Presentation by CFO Council

Morning Concurrent Sessions

The Future of Accountability Reporting and Accounting Standards

Leader: Sheila Conley, Deputy Controller, Office of Federal Financial Management, Office of Management and Budget
Bert Edwards, Chief Financial Officer, Department of State
Thomas Staples, Associate Commissioner, Office of Financial Policy and Operations, and Deputy Chief Financial Officer, Social Security Administration

Hot Topics in Technology

Leader: Jeffrey Steinhoff, Acting Assistant Comptroller General, Accounting and Information Management Division, General Accounting Office
W. Daniel Garretson, Senior Analyst, Business eCommerce Research, Forrester Research
Keith Rhodes, Director, Office of Computer Technology and IT Assessment, AIMD, GAO
Van Zeck, Commissioner, Bureau of the Public Debt, Department of the Treasury

Agency Performance Reports and Measures—What's Next?

Leader: Chris Wye, Director, Center for Improving Government Performance, National Academy for Public Administration
D. Mark Catlett, Deputy Assistant for Budget, Department of Veterans Affairs
Christopher Mihm, Associate Director, General Government Division, GAO
Robert Shea, Counsel, Senate Governmental Affairs Committee

Afternoon Concurrent Sessions

Investing in Human Capital

Leader: Kenneth Bresnahan, Chief Financial Officer, Department of Labor, and Chair, CFO Council, Human Resources Committee
Rhoda Canter, Vice President-US, DMR Consulting Group
Ernest Gregory, Deputy Assistant Secretary of the Army, Financial Operations
Nancy Kingsbury, Acting Assistant Comptroller General, General Government Division, GAO

Implementing the FAIR Act

Leader: Deidre Lee, Administrator, Office of Federal Procurement Policy
Bruce Carnes, Deputy Director, Defense Finance and Accounting Service
Nancy Saucier, Manager, Domestic Policy, American Electronics Association
Sally Thompson, Chief Financial Officer, Department of Agriculture

A New Look at Financial Systems

Leader: Karen Cleary Alderman, Executive Director, JFMIP
Earnest J. Edwards, Senior Vice President and Controller (retired), Alcoa, Inc.
R. Schuyler Leshner, Deputy Chief Financial Officer, Department of the Interior
John Mitchell, Deputy Director, U.S. Mint, Department of the Treasury

CPE Credit

This Conference qualifies for 7 hours of continuing professional education credit.

Hotel Accommodations

A small block of rooms is available at the Hilton Washington and Towers at the government rate. Please call the reservation desk on (202) 483-3000 or 1-800-321-3232 by February 20, and indicate that you are with the JFMIP Conference. The hotel is located at 1919 Connecticut Avenue NW, Washington, DC. It is 4 blocks north of Dupont Circle-Red line Metro stop.

Registration Information

Attendance at this conference can be approved under the Government Employees' Training Act. Training authorizations should be submitted no later than March 6, 2000. Early submissions are recommended. Submissions made after March 6 will be accepted only if space is available, and registrants may have to register at the walk-in registration line at the conference site. Registration starts at 7:15 am and the program will begin at 8:00 am.

Cancellation must be in writing and received by March 6, or a billing will be made. Substitutions will be accepted.

Cost

The cost for the conference is \$120. Individuals from the Federal government agencies may charge their registration or submit an approved training authorization or purchase order. The purchase order should include a complete mailing address, phone number and billing address for each participant.

You also may submit a registration form and a check payable to Graduate School, USDA. VISA, MasterCard, Diners Club and American Express are accepted. All authorizations, checks and registration should be sent to:

JFMIP Conference
Graduate School, USDA, Room 280 (IH)
600 Maryland Ave SW
Washington, DC 20024-2520

JFMIP Annual Conference Registration Form

This registration form AND payment or training authorization must be received by March 6, 2000.

Conference fee: \$120 per registrant.

Name _____
(as you want to appear on your badge)

Title _____

Department/Organization _____

Office (e.g. Bureau or Administration) _____

Address _____ Room _____

City _____ State _____ Zip _____

Office Phone () _____

Fax # () _____

Email address _____

Please indicate means of payment. Vendor is Graduate School, USDA.

____ Check (payable to Graduate School, USDA)

____ Please charge my:

__ Visa __ MasterCard __ Diners Club __ American Express

Credit card number _____

Expiration Date _____

Name of Card
holder _____

Signature _____
(as it appears on card)

____ Purchase Order/training authorization attached
(please include 4 copies of your authorization form).

Special Needs (i.e. sign language interpreter, Braille, kosher meal, dietetic meal)

Mail to:

JFMIP Conference,
Graduate School, USDA, Suite 280 (IH),
600 Maryland Ave SW,
Washington, DC 20024-2520.

Fax to: (202) 479-6801

For further information about registration, please contact Isabelle Howes, (202) 314-3471.

FASAB Update

Status of Required Supplementary Stewardship Information

The new year finds the Federal Accounting Standards Advisory Board (FASAB) re-examining Federal accounting standards that created a category of information unique to federal financial reporting, known as required supplementary stewardship information (RSSI). Examples of information that would be reported in this category include weapons systems, museums and monuments, parks and recreation areas, infrastructure assets, education and training of the general public, and research and development.

The idea of a new category of information, called "required supplementary stewardship information" (RSSI), was developed during deliberations leading to SFFAS 6, Accounting for Property, Plant, and Equipment. Some of the audit and reporting implications of RSSI were first articulated in the Implementation Guide published with SFFAS 7, Accounting for Revenue and Other Financing Sources. The chart entitled, "Categories of Information and Auditor's Normal Role in Current and New Standards" displays the relationship among the categories of information, which are discussed below.

Required Supplementary Information (RSI) is information that is required to accompany the financial statements, but it is not an integral part of the financial statements per se (see AICPA's Codification of Auditing Standards, AU 558). Accordingly, the auditor must note absence of RSI, but this does not constitute a qualification on the financial statements per se.

RSSI, on the other hand, was intended to be treated as an integral part of the financial statements as far as the auditor's report goes, and the absence of the RSSI would imply a qualification in the auditor's report. Audit fieldwork requirements for RSSI, on the other hand, were to be defined by OMB and GAO; they might be the same as for RSI or something different. RSSI would not necessarily be audited like basic information. The intent was to send a stronger signal in the auditor's report than RSI status would accomplish, without necessarily requiring more audit fieldwork. It would also provide a

mechanism to deal with the audit implications of adding new kinds of information to the financial report. At the time the Implementation Guide was prepared, it was thought that either AICPA or GAO would need to amend audit standards to provide for this new category of information.

OMB's audit bulletin currently allows for a "review" level of assurance for RSSI. Review-level assurance involves less work and responsibility on the part of the auditor than does examination level assurance (expressing an opinion). The draft bulletin for FY 2000, however, calls for all RSSI to be treated as basic information for fieldwork as well as reporting purposes. This means that all basic information would receive opinion level or examination level assurance, using the audit standards or the attestation standards as appropriate.

An attest engagement is one in which a practitioner is engaged to issue a written communication that expresses a conclusion about the reliability of a written assertion that is the responsibility of another party. Audit standards can be seen as a subset of attestation standards. Audit standards guide the auditor's examination of financial statements. Attestation standards guide the auditor's examination of other kinds of information, including forecasts, projections, internal controls, and other nonfinancial data. FASAB standards call for a variety of information that goes beyond historical financial statements.

FASAB has tentatively indicated an interest in eliminating the RSSI category because some people have suggested that RSSI is widely perceived as less important than basic information, yet that was not the Board's intent. If the Board were to eliminate the RSSI category, the items of information now called for as RSSI would be re-categorized as RSI or as basic information. Any such change in standards will require considerable time. The Board will need to deliberate on how each item of RSSI should be categorized, an exposure draft of a standard would be published for comment and those comments would then need to be considered. Accordingly, for the purposes of planning FY 2000 audits, preparers and auditors should look to the OMB audit bulletin for guidance

on how to deal with items that federal accounting principles refer to as RSSI.

For further information, contact Robert Bramlett, 202-512-7355, or Lucy Lomax, 202-512-7359. For information on the OMB Audit Bulletin, contact James Short, 202-395-3124. □

JFMIP Update, continued from page 9.

- System Requirements for Managerial Cost Accounting Checklist (GAO/AIMD-99-21.2.9) January 1999, and
- Inventory System Checklist (GAO/AIMD-98-21.2.4) May 1998

GAO also has four exposure draft checklists out for comment

- The Core Financial System Requirements Checklist (GAO/AIMD-99-21.2.2) August 1999 which will update the existing checklist when published early in 2000,
- The Direct Loan System Requirements Checklist (GAO/AIMD-00-21.2.6) October 1999,
- The Human Resources and Payroll Systems Requirements (GAO/AIMD-00-21.2.3), and
- The Travel System Requirements Checklist (GAO/AIMD-00-21.2.8) December 1999.

GAO's checklists, both draft and final, are widely circulated within the federal government's financial systems community and among other major stakeholders. Copies can be obtained from U.S. General Accounting Office, 700 4th St. NW, Room 1100, Washington, D.C. 20548, or by calling (202) 512-6000, or TDD (202) 512-2537. The checklists are also available on the Internet on GAO's Home Page () under "Special Publications." For questions regarding the checklists, call Robert W. Gramling, Bruce K. Michelson, or Paul S. Benoit at (202) 512-9406. □

Update from the CFO Council Human Resources Committee

Performance Goals Approved by CFO Council

Kenneth Bresnahan, Chief Financial Officer, Department of Labor and Chair, Human Resources Committee (HRC) of the U.S. Chief Financial Officers Council (CFOC), presented recommendations for performance goals to address key aspects of human resource management and development. In its November meeting, the CFO Council adopted four performance goals that address overall human resource planning, individual training and development needs, professional certification and human capital investment. Specific performance measures will be set this spring during the CFO Council's Spring Retreat using baseline data from a current, statistically valid survey of agencies and employees.

Agencies will be measured against these goals beginning in FY 2001.

The performance goals adopted by the CFO Council are:

Performance Goal I: Organizational success depends on both individual skills as well as the appropriate mix of complementary skills within organizations. Financial managers at all levels will periodically conduct needs assessments of both individual employees and their overall organizations.

Performance Goal II: Investment in professional development is a key to improving performance, and is also an important component of an effective employee retention strategy. Managers will work with their employees to develop Individual Development Plans (IDPs) that serve both the needs of the individual and the organization.

Performance Goal III: Earning and maintaining professional certification is a strong indicator of proficiency. Employees will be encouraged and supported to pursue and maintain certifications appropriate to their professions.

Performance Goal IV: Technological innovations in professional development are increasing opportunities to deliver training and education anywhere, anytime. The CFO Council will foster and support investments in continuing professional education of the financial management workforce

"This is a watershed achievement. The setting of human resource performance

measures reflects the Council's continuing emphasis on investment in our most valuable resource—our people. High caliber financial managers are key to effective financial management," said Kenneth Bresnahan.

Core Competencies Document Updated

The Council's recent action follows the release of a comprehensive set of services to support Federal financial management



workforce by the CFO Human Resource Committee. The HRC and JFMIP set standards for individual growth through the definition of the core competencies necessary in each of eight financial professions. The core competencies for accountants, financial managers and budget analysts were recently updated in late 1999. The "Executive Toolkit for Workforce Development" provided the framework for conducting agency needs assessments and implementing IDPs.

Information Sharing

A website that will be operational soon, the Federal Learning eXchange Federal Finance Domain, will be a one-stop electronic information center for Federal financial training linked to the core competencies. The website was jointly developed by the Human Resources Committee and the Department of Labor, Employment and Training Administration. It can be found through Financenet.

CFOC Fellows Program

The CFO Council reiterated its support of the CFO Council Fellows Program at the November meeting. This program, designed to develop future financial management leaders, is in its second successful year. Mr. Bresnahan stated that "The Program has been

enormously successful in developing the financial leadership capabilities of its participants. We hope the Program will continue to expand and help provide for the Government's financial leadership needs before demographic and other changes create a leadership crisis."

Human resource analysts throughout the Federal sector are concerned that current demographic and market trends may lead to an inadequate number of experienced, capable leaders. The aging baby-boomers - those born between 1946 and 1964 - who now hold key management positions will begin retiring in 2001. With the average age of Senior Executives, GS-15, GS-14 now 52, 51 and 48, respectively, and expected to continue to rise, the pool of qualified managers is expected to dwindle.

The CFO Fellows program is intended to help avert this potential crisis by developing a highly qualified group of financial managers from within the current Federal employee population. The Program provides substantive financial management experiences to a select number of promising mid-level financial staff. These employees spend one year working outside their own agencies on assignments that promote effective and efficient management of Federal resources and programs, as well as taking training at the Federal Executive Institute and the USDA Graduate School. The application deadline for next year's Fellows Program candidates is February 7, 2000. Further information on the CFO Fellows Program is available at the web site, www.financenet.gov/fed/fro/fellows, or by contacting John Amey of the USDA Graduate School at 202-314-3408.

Recruitment Efforts

The HRC is pursuing strategies to beef up the pipeline of workers at the entry level. There has been little hiring in recent years, and recruitment now is a special challenge given the tight labor market. The HRC has established a recruitment consortium of six agencies to pool resources and consolidate their recruitment of financial management personnel. They will pilot their first recruitment effort at a local university in February.

Further information regarding Human Resources Committee activities is available at <http://www.financenet.gov/financenet/fed/cfo/hrc/hrc.htm>. □

Profile, continued from page 5.

But, the Department is implementing activity-based costing and activity-based management across eleven business areas within three years - evolving from tracking spending to tracking costs.

Ms. McCoy believes that financial managers should provide the tools and useful information needed for decision making. Financial managers must work side-by-side with functional managers, providing full access to real time, or as close to real time as possible, financial management information. Having accomplished this, we can improve stewardship and resource utilization.

Ms. McCoy acknowledges that audited financial statements have been a problem for the Army, particularly as the Army struggles with the issues attendant to accounting for property. The Army still has a lot of work to do to attain a clean opinion on its financial statements. She hopes that the Army Corps of Engineers will get a clean opinion on its FY99 statement. This will be a tremendous achievement, in and of itself, for the Army.

When queried as to when the Federal government will get a clean opinion on consolidated government-wide financial statements, Ms. McCoy reminds us all that the Department of Defense plays a major role in achieving that goal and is working diligently toward that end. But short of a miracle, it's probably a few years away.

Looking towards the future, Ms. McCoy sees the financial management environment changing. The biggest change will be in how we do the job, not in the job itself. The issues we are dealing with now are the same issues we saw five years ago, and will probably see five years from now, with slightly different twists.

Ms. McCoy hopes that the work she began will continue after she leaves her position at year-end. She would like managers to take full advantage of web-based technology and for everyone to have greater access to timely, accurate financial information. She would like career civil servants in the Army to embrace the initiatives started during her tenure - the financial management redesign effort, multi-disciplined financial management analysts, professional certification and accreditation. Not because she wants this to happen, but because it is the right thing to do. □

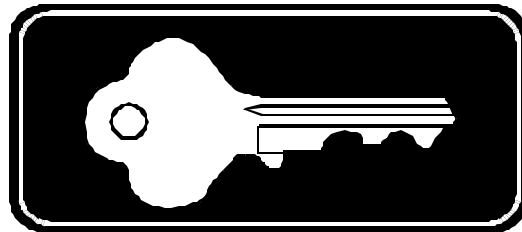
Challenges of Computer and Information Security

In the 1980s, Clifford Stoll, an astronomer with the Lawrence Berkeley Laboratory, lost his program funding and had to go to work as a computer programmer in the University computer center. While there, he was given a project - find the source of a \$0.75 accounting discrepancy in the billing system used to charge users for computer time. This \$0.75 discrepancy led Stoll on a computer chase through California, Virginia, and Europe ending up in a computer in a small apartment in Hannover, Germany. In this apartment, Stoll found Markus Hess, who was the leader of a group of German computer criminals, who were breaking into computer networks and stealing information throughout the U.S. All this computer crime was in support of Soviet Intelligence. In the end, Stoll had to work with FBI, the CIA, and the German government trying to track his hacker down. The experiences of Stoll have pointed out the dire need for communication between parties on a network of networks. The only way everyone can peacefully co-exist in Cyberspace is by ensuring rapid recognition of any existing problem.

The point here is that Stoll found Hess only because he had the time to track down a seemingly insignificant financial error. Also, this was a time of relatively slow and small networks. In the 1980s, for example, most data networks were only moving 2,400 bits of data per second, compared with today where individuals are accessing the Internet from their homes at 56,000 bits per second, and larger networks are handling tens of millions of bits per second. Likewise, the number of people connected to the Internet in the 1980s was measured in the tens of thousands, and projections show that by 2003 the Internet population worldwide will be approximately 502 million. Ours is a world where a \$0.75 discrepancy is not even measurable.

Thus, the nomenclature of "internal controls" becomes very ironic, since the internal controls deal more and more with

external connections - even though an organization may be using a mainframe to run its financial management system, the mainframe is on a network, which is connected to the world. In this computer "fabric" no machine is an island, and the weaknesses of one system are visited on all the systems it touches. It is logically equivalent to the medieval European cities, which were very crowded with dwellings that were directly connected to one another. If one house caught fire, an entire row of houses burned. If one family caught the plague, the entire city perished.



This networked environment, with its many pathways and high speed access, requires us to expand the scope of standard financial controls testing to include the entire enterprise, even though we are only chartered to review the financial systems. This becomes even clearer when we realize that we are in a defensive posture, since a \$0.75 error will go unnoticed. Thus, we must be even more proactive than we are in identifying the weaknesses and correcting them.

To meet this challenge, the General Accounting Office, as part of its mandate to render financial opinions for each of the departments and agencies that fall under the Chief Financial Officer's Act (P.L.101-576), is performing both internal control tests and operational control tests. In this way GAO can provide a more complete set of recommendations that better help a department or agency be proactive in its work to secure itself. Thus, the security models that GAO has described in its Executive Guide series on computer security can be applied department-wide, thereby better ensuring that the financial systems are not subject to external security weaknesses beyond their control. In this way, GAO hopes that progress can be made on computer security issues at a faster pace. For more information, contact Keith Rhodes, Director, Office of Computer and Information Technology Assessment at rhodesk.aimd@gao.gov. □

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